



Committee On Finance

Max Baucus, Chairman

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Baucus Statement Regarding IRS Offshore Financial Accounts Initiative

Today the Internal Revenue Service (IRS) unveiled a "Voluntary Disclosure" initiative aimed at eliminating the serious and growing problem involving the use of offshore financial accounts to conceal income from the IRS. The IRS estimates that there are several hundred thousand offshore accounts held by Americans in tax haven countries, although only 170,000 have been reported to the IRS as required by law.

The U.S. Senate Finance Committee has held hearings over the past two years to address ways to more strictly enforce reporting requirements for offshore accounts. Beginning today, the IRS will provide the opportunity for citizens to come clean with regard to their U.S. tax liabilities illegally sheltered through offshore bank accounts. Until April 15, 2003, individuals will be allowed to file corrected tax returns disclosing offshore accounts, pay back taxes with interest and penalties, and disclose the promoter who involved them in the offshore scheme. In exchange, the IRS will waive the 75% civil fraud penalty and jail time that would result if these accounts were otherwise discovered.

In the last year, the IRS has been aggressively working to identify taxpayers using offshore bank accounts. This program relies on the information provided by major credit card companies, which revealed close to 1,000 cases. While their results are promising, these cases are also time consuming and costly.

The initiative announced by the IRS today will allow individuals to do the right thing by taking responsibility for the taxes owed to the country, and will also allow them to avoid costly and life changing consequences. The Senate Finance Committee intends to closely follow the results of this IRS initiative and encourage participants in these offshore schemes to voluntarily disclose their offshore accounts.

Baucus Quote:

"As the annual tax filing season begins, the majority of Americans will step up and pay their fair share of taxes. These taxpayers expect everyone else who enjoys the benefits of this great country to also pay their fair share. When the IRS alleges that one

to two million taxpayers may have offshore financial accounts to conceal taxable income, this is clearly a serious threat to the integrity of our tax system. When the government alleges that tens of billions are lost each year from these abusive schemes, the trust of those paying taxes is violated.

I applaud the IRS for today's initiative that will help to restore public confidence and eliminate the illegal practice of avoidance through offshore tax shelter schemes. The agency should be commended for its innovative approach to gathering information on promoters and efficiently disposing of the thousands of cases already identified. The IRS's message to tax evaders is clear - either come forward and pay what is owed to the country today, or find the IRS knocking on your door with jail time and high financial penalties tomorrow."